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Vouchers and Tax Credits by Jordan Cash

In 1955, economist and Nobel Laureate Milton Friedman introduced the idea of state-sponsored educational vouchers to allow children to attend any school of their choice. Vouchers are certificates issued by the government which parents can use for tuition at private schools, with the private school redeeming them for a specific dollar amount. Friedman contended that vouchers give parents more choice and affords them the opportunity to send their children to the best schools available. Vouchers also create competition for government-run schools, forcing them to be innovative and ensure they are offering the best education possible.[\[1\]](#)

Several states, as well as the District of Columbia, currently offer some type of voucher program. Wisconsin-specifically Milwaukee-and District of Columbia offer vouchers only for low-income students, meanwhile Arizona, Florida, Georgia, Oklahoma, Ohio, and Utah offer full vouchers for certain special needs students to attend schools that can better meet their needs.[\[2\]](#) Indiana and Louisiana both expanded their voucher programs, with Indiana's now including over half their student population, and Louisiana's expansion makes it the largest voucher program in the United States.[\[3\]](#) Maine and Vermont also have voucher programs that have existed since the mid-1800s for students who live in areas with no local public school so they can either attend private school or a public school outside of their local district.[\[4\]](#)

When evaluated by student achievement, these programs have often proven to be successful. A study of Washington, DC's DC Opportunity Scholarship Program (OSP)-which provides scholarships for low-income students through a lottery process-showed that students who received and used their vouchers had a 91 percent graduation rate, 21 percent higher than those students who did not receive vouchers.[\[5\]](#) The DC students who used their vouchers also had higher student achievement as well as increased parental satisfaction and views of safety, all while spending roughly one-fourth of what Washington DC's public schools spend per pupil.[\[6\]](#) Similarly, Milwaukee's voucher program-which serves over 20,000 students-saw a graduation rate 18 percent higher than their public school counterparts from 2003-2008.[\[7\]](#)

Some voucher programs have even had the effect of improving their neighboring public schools. A study on the voucher program in Edgewood Independent School District, a low-performing district near San Antonio, Texas found that while Edgewood's graduation rates had improved from 57 percent to 80 percent from 1998-2004, approximately 16.8 percent of that improvement was attributable to the voucher program's effect on the public school.[\[8\]](#)

However, vouchers are controversial because it may involve public money going to sectarian

institutions, as many private schools are run by religious organizations. Although the United States Supreme Court has upheld school vouchers as constitutional,[\[9\]](#) Nebraska is one of 38 states whose constitutions contain a provision banning public money from going to sectarian organizations.[\[10\]](#) However, amendments to this section of Nebraska's constitution have created some uncertainty about whether or not that ban is ironclad, and the case law before Nebraska's Supreme Court also suggests there is some uncertainty concerning this clause.[\[11\]](#) To avoid controversy, it may be better for Nebraska to adopt the alternate method of tax credit scholarships in the place of vouchers.

The tax credit scholarship method involves the state giving tax credits to individuals or organizations who donate money to charitable organizations that provide tuition scholarships so they can attend the school of their choice. This avoids the constitutional problems as no public money goes directly to any private organization, sectarian or otherwise. Instead, private funds are voluntarily donated to private organizations for scholarships with the state simply rewarding the donor by giving him a small tax break. It also avoids the issue of taxpayers unwillingly paying for a private education they may not agree with, as all donations and related tax credits are voluntary, unlike direct taxes. Similarly, schools would be more protected from the state involving themselves in the school's operation, for their funding would not come from the state, but from private individuals, who would be the ones gaining benefits from the state.[\[12\]](#)

Ten states currently use tax credit scholarships, and as with vouchers, tax credits have been shown to increase student achievement. A study of low performing students in Florida who were given tax credit scholarships saw their test scores rise relative to their peers, indicating that they were more successful in their program with scholarship than they would have been at their default public school.[\[13\]](#) Similarly, studies show the competition provided by tax credit scholarships has improved the performance of affected public schools significantly.[\[14\]](#)

Tax credit scholarships would also save state taxpayers money. A study of tax credits in Nebraska estimated that if Nebraska gave out income tax credits for up to 65 percent of the contribution with an annual aggregate cap of \$3 million-as was suggested in a 2009 Legislative bill LB67[\[15\]](#)- that if 67 percent of the new scholarships going to public school students, the state would have gained a net fiscal benefit between \$2.4 and \$37 million depending on the average scholarship amount. Similarly, if 80 percent of public school students used these scholarships with an average value of \$1,750, then it is estimated the state would have saved \$51 million over ten years.[\[16\]](#) Furthermore, under this scenario, a scholarship program that would cost the state only \$3 million in revenue would have generated approximately \$4.15 million in available scholarship funds for needy children.[\[17\]](#) These fiscal benefits correlate to what other states have found with their tax credit programs. For example, for every dollar Florida lost in potential revenue to its corporate income tax credit scholarship program, the state saved \$1.49, a 49 percent return on its investment.[\[18\]](#)

It must also be noted that tax credit scholarships would not take away local school district funding. Property taxes would continue to fund local districts, and if the state saves money with a tax credit scholarship program as would be expected, then state aid would not be endangered either. Instead, students taking advantage of the program to attend other schools would leave public schools with more resources that can be focused on the remaining students.

Expanding school choice through the use of tax credits would benefit all students, not simply the ones receiving scholarships. It is a win-win for students, parents, and taxpayers, and is a program that should be adopted in Nebraska.

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[2] National Conference of State Legislatures, "Education Program: Publicly Funded School Voucher Programs," October 2011. Available at <http://www.ncsl.org/issues-research/educ/school-choice-vouchers.aspx>, accessed August 8, 2012.

[3] Friedman Foundation for Educational Choice, "Louisiana Governor Signs School Choice Expansion Into Law," April 18, 2012. Available at <http://tinyurl.com/8z8jn4y>, accessed August 8, 2012; *News Sentinel*, "Early success for Indiana's school voucher program," June 5, 2012. Available at <http://www.news-sentinel.com/apps/pbcs.dll/article?AID=/20120605/EDITORIAL/120609860/1015>, accessed August 8, 2012.

[4] National Conference of State Legislatures, "Education Program: Publicly Funded School Voucher Programs," October 2011. Available at <http://www.ncsl.org/issues-research/educ/school-choice-vouchers.aspx>, accessed August 8, 2012.

[5] Jason Richwine, "D.C. Voucher Students: Higher Graduation Rates and Other Positive Outcomes," Heritage Foundation, July 28, 2010. Available at <http://www.heritage.org/research/reports/2010/07/dc-voucher-students-higher-graduation-rates-and-other-positive-outcomes>, accessed August 9, 2012; Patrick Wolf et al., "Evaluation of the DC Opportunity Scholarship Program: Final Report," United States Department of Education, June 2010. Available at <http://ies.ed.gov/ncee/pubs/20104018/pdf/20104018.pdf>, accessed August 9, 2012;

[6] Matthew Ladner, "DC Vouchers Boost Graduation Rate." Available at <http://jaypgreene.com/2010/06/22/dc-vouchers-raise-graduation-rate-12-percentage-points/>; Andrew Coulson, "Census Bureau Confirms: DC Spends \$29,409/pupil," Cato Institute, June 26, 2012. Available at <http://www.cato-at-liberty.org/census-bureau-confirms-dc-spends-29409-pupil/>, accessed August 9, 2012. Washington DC public schools spent \$29,409 per pupil in 2010, the vouchers only spent \$7,500 per pupil, approximately 25.5 percent of what the public schools spent.

[7] John Robert Warren, "Graduation Rates for Choice and Public School Students in Milwaukee, 2003-2009," School Choice Wisconsin, January 2011. Available at

<http://www.schoolchoicewi.org/data/research/2011-Grad-Study-FINAL3.pdf>, accessed August 9, 2012.

[8] John Merrifield, "Education Vouchers Benefit Edgewood Students," National Center for Policy Analysis No. 699, March 25, 2010. Available at <http://www.ncpa.org/pub/ba699>, accessed August 9, 2012.

[9] Lee Ross, "Supreme Court Upholds Arizona School Vouchers," *Fox News* April 4, 2011. Available at <http://www.foxnews.com/politics/2011/04/04/supreme-court-upholds-arizona-school-vouchers/>, accessed August 9, 2012; Terry Frieden, "Supreme Court affirms school voucher program," *CNN*, June 27, 2002. Available at http://articles.cnn.com/2002-06-27/justice/scotus.school.vouchers_1_school-voucher-program-milwaukee-and-florida-parochial-school-tuition?s=PM:LAW, accessed August 9, 2012. The two cases that set the precedent that vouchers did not violate the Establishment Clause of the First Amendment were *Zelman v. Simmons-Harris* (2002) and *Arizona Christian School Tuition Organization v. Winn* (2011). *Zelman's* opinions may be viewed at <https://supreme.justia.com/cases/federal/us/536/639/case.html>, the *Arizona* opinion may be viewed at <http://www.supremecourt.gov/opinions/10pdf/09-987.pdf>.

[10] Nebraska State Constitution, Article VII, Section 11, "Appropriation of public funds; handicapped children, sectarian instruction; religious test of teacher or student." Available at <http://nebraskalegislature.gov/laws/articles.php?article=VII-11>, accessed August 9, 2012; Hans Johnson and David Johnson, "Amendment sets stage for sectarian strife, discrimination," *Tampa Bay Times*, July 28, 2011. Available at <http://www.tampabay.com/opinion/columns/amendment-sets-stage-for-sectarian-strife-discrimination/1182703>, accessed August 9, 2012.

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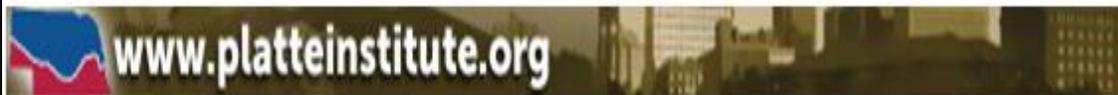
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[16] Brian Gottlob, "Tax-Credit Scholarships in Nebraska: Forecasting the Fiscal Impact," June 2010. Available at <http://www.edchoice.org/CMSModules/EdChoice/FileLibrary/498/School-Choice-State-Research---Tax-Credit-Scholarships-in-Nebraska---Forecasting-the-Fiscal-Impact.pdf>, accessed August 9, 2012.

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